

COMMUNIQUE
LIBERIA PARTNERS' FORUM
February 13-14, 2007
Washington, D.C.

Representatives from 22 countries, 27 international organizations, and 30 non-governmental organizations met in Washington, D.C. at a Forum jointly hosted by the United States government, the European Commission, the World Bank, the African Development Bank, the International Monetary Fund, and the United Nations. The Forum, opened by Her Excellency, the President of Liberia, Ellen Johnson Sirleaf, was also addressed by World Bank President Paul Wolfowitz, U.S. Secretary of State Condoleezza Rice, Commissioner Louis Michel of the European Commission, Donald Kaberuka, President of the African Development Bank, Rodrigo de Rato, Managing Director of the International Monetary Fund and Alan Doss, Special Representative of the Secretary-General of the United Nations.

In her opening address, President Johnson Sirleaf thanked the international community for its strong support and recognized the important role and contribution of the United Nations, ECOWAS and the African Union in the peace process and applauded the recent concrete gestures by the latter two institutions in the cancellation of Liberia's arrears of contributions. She reviewed the significant progress her government has made in expanding peace and security, revitalizing the economy, strengthening governance and the rule of law, rebuilding infrastructure and delivering basic services. She noted several formidable medium-term challenges, including the need to prepare for the eventual withdrawal of the United Nations peacekeepers, to rebuild Liberia's road network, to create jobs quickly, and to strengthen Liberia's institutions and human capacity. She asked that both the government and partners speed the process of disbursing funds and implementing projects and focus on the impending gaps in the transition from emergency to development. She highlighted the urgent need for a speedy resolution to Liberia's external debt crisis.

The World Bank President commended the Government for the bold steps taken over the past year to rebuild Liberia's shattered economy, and he urged the international community to come together to support Liberia at this critical juncture. The President noted that a solution to the country's inherited debt burden is key to moving forward and pointed to the work that is underway within the multilateral institutions and among their shareholders to realize this as soon as possible. He noted that the World Bank plans to continue to make available exceptional support to Liberia with a program of assistance of about \$60 million over the coming 18 months.

The U.S. Secretary of State applauded the progress that Liberia has made over the past year and announced the United States has requested \$200 million over the next two years in addition to the \$500 million of assistance already provided since the end of Liberia's civil war. She indicated the U.S. would take steps to forgive 100% of the \$391 million of U.S. bilateral debt in the context of the HIPC initiative and will continue leading efforts

to eliminate Liberia's arrears to the multilateral institutions. She stressed the importance of public-private partnerships and noted the U.S. would sign several agreements that would facilitate economic revitalization.

The UN Special Representative delivered the personal message of the UN Secretary-General. In it, he noted that Liberia has made encouraging progress and is fast emerging as a pillar of stability in the region. The Secretary-General confirmed that the UN will continue to assist the national authorities with security and public order while supporting the Government's national reconstruction and development effort.

The EC Commissioner underscored the urgency of minimizing the cuts in social service delivery that could occur as relief organizations depart Liberia and before development projects are in place to replace them. He pledged the continuation of EU humanitarian support to bridge this transitional gap. The Commissioner also focused his attention on the importance of continuing to address public financial management reforms to meet the standards required in order to go into full direct budgetary support.

The AFDB President emphasized Liberia's special circumstances, its enormous needs, and the very significant progress that has been made by the Government. He stressed that Liberia's stability is critical for the entire West African region. He urged the international community to work together to support Liberia and stressed AFDB's commitment to provide maximum support. He requested flexibility from AFDB shareholders with respect to clearance of Liberia's arrears to the Bank and other institutions to enable Liberia to re-engage with the IFIs.

The IMF Managing Director congratulated the Government on its achievements during the first year in office. He noted that the key objectives of the IMF's Staff Monitored Program for 2006 had been achieved and that a new Staff Monitored Program for 2007 has been agreed with the IMF. The Managing Director noted that Liberia's external debt is clearly unsustainable and that it is important to make progress in moving Liberia onto the path toward debt relief. He underscored the importance of mobilizing the necessary financing for arrears clearance and debt relief for Liberia. In this regard, he noted that Management has proposed possible partial use of special internal resources and looks forward to indications that the membership will demonstrate its full support in reaching agreement on an appropriate financing package.

The Objectives of the Forum were:

- To review progress made by the Government on its reform and reconstruction agenda and to examine remaining challenges;
- To discuss and solicit Partners' feedback on the strategic priorities outlined in Liberia's I-PRSP; and
- To discuss financing requirements and mechanisms associated with meeting pressing reconstruction and development needs.

I. The Government and development partners reviewed progress made on Liberia's reform and reconstruction agenda and discussed outstanding challenges.

The meeting recognized the tremendous progress made by the Liberian government during the first year of President Johnson-Sirleaf's administration and strongly supported the strategic priorities articulated in Liberia's development strategy (I-PRSP).

Participants noted, in particular, that significant improvements have been made in the management of government finances and the economy, including revenue and expenditure management, strict adherence to a balanced cash-based budget, economic governance reforms, GEMAP, and improvements in central bank finances. In this regard, Government reiterated its commitment to continue its fiscal and public financial management reforms, including refraining from undertaking new borrowing.

Participants noted Liberia's economic growth rate of 8 percent in 2006 which has been led by recovery in agriculture, construction and other services, but acknowledged that Liberia's real GDP is still only 40% of what it was in 1980. The meeting welcomed the key reforms aimed at private sector development, including passage of key legislation in the areas of forestry and procurement, the comprehensive review of contracts and concessions and the review of the investment incentives regime. It also welcomed progress in restructuring the security forces, in strengthening the rule of law and in taking action against persons who have engaged in corrupt practices.

Participants also considered Liberia's urgent humanitarian needs, ranging from health, opportunities for youth, social protection, and education. In this context, they noted the challenges that Liberia faces in transitioning from relief to development. They also reiterated that safeguarding progress in Liberia will require the active engagement of the international community to promote regional stability and noted concern about the current situation in Guinea.

II. Participants discussed the strategic priorities outlined in the I-PRSP.

The meeting commended the Government for the participatory process that underpins the preparation of the strategy, making it a sound basis for promoting economic growth and poverty reduction priorities over the medium term.

Participants agreed on the importance of peace and security as a foundation for sustainable development and noted the need for funding security reform.

In the area of growth and economic revitalization, partners agreed with the need to revitalize traditional sources of growth, including agriculture, forestry and mining. In this regard, the meeting endorsed Government's focus on creating an enabling environment for the private sector. The meeting recognized the risk posed by high youth unemployment and the need to create sustainable job opportunities.

They also emphasized the need to implement a comprehensive civil service reform program, including capacity building, and several partners agreed to support Government in realizing a well designed and sustainable approach that is tailored to the Liberia context. In this regard, the meeting took note of the Government's desire to fast track a Senior Executive Service.

Participants welcomed the contribution delivered on behalf of the Gender Symposium Delegates which underscored the critical role of Liberian women in the peace process. They emphasized the need for ensuring that women are engaged fully in society so that Liberia can be a model for inclusive reconstruction. The meeting also acknowledged the need for a clear focus on children and child protection.

The meeting acknowledged the urgent need to strengthen national statistics in order to provide a sound basis for evidence-based policy making and for the forthcoming PRSP. Finally, the meeting recognized the high priority placed by Government on all aspects of good governance and underscored its importance in ensuring the successful recovery of the Liberian economy and in improving the livelihoods of the Liberian people.

III. Participants discussed the financing needs and mechanisms associated with the implementation of key I-PRSP priorities.

Participants discussed the enormous costs of reconstruction in Liberia and committed to support Government's efforts with higher levels of external grant financing over the coming 18 months as it implements the I-PRSP.

The meeting discussed the status of Liberia's unsustainable external debt burden, including arrears to the International Financial Institutions. Participants emphasized the urgency of securing financing to enable Liberia to benefit from the HIPC and MDRI-type debt relief mechanisms for which it is eligible. In response to this need, the United States announced that, in addition to the bilateral debt forgiveness and to the \$15 million that has been committed to the AFDB, it is requesting up to \$35 million in debt reduction funds from Congress to help fund the cost of forgiving Liberia's debt to the International Financial Institutions. The United States added that, in consultation with Congress, it is also prepared to redirect more than \$150 million in funds held by the IMF as a contribution to forgiving Liberia's debt to the IMF. Germany announced that it would forgive 100% of the bilateral debts owed in the context of the HIPC process. The United Kingdom announced that it would provide 10% of the donor funding necessary to clear the arrears to the African Development Bank. The meeting welcomed these new developments as strong signals of support for a solution to Liberia's debt problem.

Participants discussed the importance of capturing information on donor flows and of ensuring its coherent presentation. They agreed to better track donor resources so that Government could more easily incorporate external assistance into its own budgeting and planning processes.

The participants also agreed to explore more coordinated mechanisms for aid, and ways to accelerate the disbursement of already committed funds to critically needed programs. They agreed to continue discussions with the government on the possibility of establishing multi-donor financing mechanisms that could be used to scale up financing for priority infrastructure, agriculture, and social sector needs.

Finally, participants discussed the possibility of direct budgetary support to the government with a view to supporting key public sector reforms. In this regard, donors underscored the necessity of continuing public financial management reforms to ensure that resources are used effectively for their intended purpose. They agreed to explore further a mechanism aimed at targeted budget support under which donors disburse in line with agreed benchmarks consistent with the I-PRSP. To this end, the partners agreed to form a group dedicated to develop options for such a budget support mechanism.

IV. Follow Up and Results

Participants agreed on the need to follow up on both the results of the conference and implementation of the I-PRSP. The Liberian Reconstruction and Development Committee will continue to be the focal point of this effort, putting in place a robust results monitoring framework.

For their part, partners committed to better coordinate and harmonize their own programs to reduce the demands and transaction costs on Government. In this regard, they agreed to track disbursements and projections of resources to help ensure a greater alignment between Government I-PRSP priorities, expected results, and available resources. This effort should allow Government to more easily incorporate aid into its own budgeting and planning processes.

It was agreed that a follow-up meeting would be held in approximately one year's time in Monrovia to review progress and the use of resources. This meeting could further provide an opportunity for early consultation on the preparation of the full PRSP.

